



Jim Doyle  
Governor

A Newsletter of the  
Real Estate Appraisers Board

January, 2006

## THE REAL ESTATE APPRAISERS BOARD

### Real Estate Appraisers Board Members

Marla Britton (Westby)  
Sharon Fiedler, Vice Chair (Neenah)  
LaMarr Franklin (Glendale)  
Mark Kowbel, Chair (Racine)  
Roger Roslansky, Secretary (LaCrosse)  
Karen Scott (Madison)  
Vacancy (Public Member)

### Administrative Staff:

Kim Nania, Division Administrator  
Tim Wellnitz, Bureau Director  
Ruby Jefferson-Moore, Legal Counsel

### Executive Staff

Celia Jackson, Secretary  
Sandra Rowe, Deputy Secretary  
Larry Martin, Executive Assistant

### NEW SECRETARY – CELIA JACKSON

In April, 2005, Governor Doyle appointed Celia Jackson as Secretary of the Department of Regulation and Licensing. Some of her many accomplishments include:

- Served as the Senior Policy Advisor for Pax Christi USA since 2004 and with the Archdiocese of Milwaukee as the Archbishop's Delegate for Community Services from 1999 to 2004
- Served as Assistant Dean of the Marquette University Law School and worked as an Assistant District Attorney in Milwaukee
- Founded her own law firm specializing in real estate, civil litigation, criminal and corporate law

### NEW EXECUTIVE ASSISTANT – LARRY MARTIN

In July of 2005, Larry J. Martin was appointed as the new Executive Assistant for the Department of Regulation and Licensing.

Mr. Martin served as Chief of Staff for Lieutenant Governor Lawton since she took office in January 2003. In that capacity, Mr. Martin directed all media communications, served as the Lieutenant Governor's liaison to the Governor's Office, state agencies and organizations, and participated in development of public policy. Mr. Martin previously served as Executive Director of the Democratic Party of Wisconsin, Executive Director of the Dane Fund, and Executive Director of the Wisconsin Library Association.

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### NEW BUREAU DIRECTOR – TIM WELLNITZ

In August, 2005, Tim Wellnitz was appointed to the position of Director of the Bureau of Business & Design Professions at the Department of Regulation and Licensing.

Mr. Wellnitz previously served as an Agency Liaison in Governor Doyle's Office. In that capacity Mr. Wellnitz served as the Governor's liaison to several state agencies and advised the Governor on policy matters. Mr. Wellnitz is also a licensed attorney.

**Observations of a Review Appraiser,  
By Karen Scott, MAI, SRA,  
Wisconsin Certified General Appraiser #31,  
Member Real Estate Appraiser Board and  
Chair, Real Estate Appraiser Application  
Advisory Committee**

Since 1991, I have been reviewing appraisals submitted by applicants seeking an appraiser credential from the Department of Regulation and Licensing. For the past year, a committee of eight appraisers from around the state has been responsible for the review process. While most of the reports meet most USPAP standards and many are exemplary, there are some common omissions and concerns with some reports. The objective of this article is to help ensure that more applicants' appraisal reports are recommended for approval by the Department. Reports are reviewed for USPAP compliance and are reviewed against the USPAP standards which were in place as of the date that the appraisal was prepared. All reviews are completed in accordance with USPAP Standard 3.

**Reports submitted to the Department** must be true and accurate copies. They must be signed, nothing should be blacked or whited out, and the reports submitted may not be altered from what was submitted to the intended user(s). If you are asked to provide additional reports based on non-compliance with USPAP, it does not mean that you should go back and "correct" the original submission. If the reviewer's comments don't make sense to you, or you don't understand what is being requested of you, please ask questions, before submitting additional reports. You will not receive credit for parts of appraisals. The work submitted must be your work and actual complete appraisal reports. They may be reports prepared solely for receiving experience credit; in this instance the Department may be the intended user. No more than one-third of your work for which you are seeking credit may

be completed with no client.

You must sign the **certification** or be named in the report as having provided significant real property appraisal assistance. You will not receive credit if USPAP is not followed in this regard, and a supervisory appraiser who signs a report without naming the applicant, then later tells the Department that the applicant completed the report, is likely to be referred to the Division of Enforcement.

Sloppy **cloning** is frequently present. Examples are a property address which is "12 blocks NEly," not the actual address of the property, neighborhood boundaries defined as "xyz" (clearly the appraiser intended to go back and complete this but forgot), wrong county, reference to something which is not appropriate for the subject property, etc. Please proof read your reports, before submitting to your client.

For **residential property appraisals**, probably the most common concern is omission of Intended User, Intended Use, and/or Scope of Work Statements. All reports must have these three elements; departure is not permitted under USPAP. It is not acceptable to require the reader of the report to infer that the intended user is the lender. Often, the set of intended users extends beyond the lender and may include secondary market participants, the IRS, attorneys and/or courts, etc. With respect to Intended Use, it is not sufficient to state that the report is "for the lender's/client's use." The actual use (such as foreclosure proceedings) must be specified. For Scope of Work, it is not sufficient to simply state "I inspected the property." In order to complete a credible appraisal, zoning manuals, flood plain maps, tax and assessment records, MLS and/or Register of Deeds searches, consultation with a cost manual, discussion with government officials or market participants, etc., are often required. The extent (scope) of work must be described in the report.

The **new Fannie Mae/Freddie Mac forms** have preprinted language which addresses these three often omitted requirements, but the preprinted language does not apply in all instances; e.g., if the new URAR form report is intended to be used for divorce proceedings, etc. Please make

certain that the forms are supplemented as appropriate to comply with USPAP. The primary purpose of the Fannie Mae/Freddie Mac forms is to facilitate the secondary market for loans, not for USPAP compliance.

The **Highest and Best Use** of a property is not necessarily its present use. An example is a pig farm adjacent to a residential development in an urban growth path. The highest and best use is likely to be development land, not continued operation as a pig farm. Another example is a religious school. The highest and best use may be conversion to an alternative use, not continued operation as a school, particularly if the school is operating at a deficit. Since the valuation process flows from the Highest and Best Use analysis, it is crucial that this step be completed competently.

When explaining adjustments in the **Sales Comparison Approach**, give reasoning and support; please don't simply state the obvious. We often see comments such as "Sale 1 was adjusted down for quality" instead of "Sale 1 was adjusted down for quality because it has a full brick exterior," or "the quality adjustment is based on initial and maintenance cost for the siding types." Please make certain that adjustments are consistent from comparable to comparable, and make certain they are in the correct direction (adding to the comparable if the subject has a valuable feature not present in the comparable, not subtracting).

For **income producing properties**, some appraisers have omitted the actual rents for the subject property when it is rented. If one/some unit(s) is/are vacant, consideration should be given to a rent-up deduction, but often is not. It is not acceptable to not complete the income approach because "I couldn't find rent comparables," to use rents for identified properties from several years ago, to estimate the rent for the rent comparables, etc. You might have to write down addresses of buildings in the neighborhood and call property owners to obtain current rents for comparable units.

For the **Cost Approach**, be sure to include a value for the land when appraising the interest in the land and improvements (we have

reviewed appraisals which have nothing on the land value line). It is never appropriate to add for external or functional obsolescence; obsolescence is a diminution in value.

Frequently, appraisers provide a value opinion which is substantially higher than the list and/or sales price for the subject. Too often, the list price is not given. For a building contract, the cost of construction, including the land (if being purchased) is the sales price; the contract amount should always be provided. **Standards Rule 1-5** requires the appraiser to ANALYZE the list price and/or sales price, not simply state the price. While there are examples of properties which are worth more than their sales prices (e.g., uninformed seller, etc.), if the subject has been listed for several months at a given price, it is not likely that it is worth substantially more than the list and/or sales price.

In your **reconciliation**, please don't simply average. Reconciliation is the process of analyzing; one comparable is almost always most reliable or least reliable, or one approach to value is usually weighted most heavily. Explain your rationale to your intended user(s).

**Standards Rule 1-4(e)** requires the appraiser to address whether or not the sum of the parts is equal to the value of the whole. The sum of the retail value of lots in a subdivision or individual condominium units in a project is not the market value of the project as a whole.

Many reports do not **identify the reporting option** used (Self Contained, Summary, or Restricted Use). The Fannie Mae/Freddie Mac forms are Summary reports; please do not identify them as Self Contained. Work is classified as Complete or Limited. Please refer to the Departure Rule at the beginning of USPAP (page 12 of the 2005 edition) for requirements in this regard.

When completing work for a government entity, some appraisers automatically state that they have invoked the **Jurisdictional Exception Rule** when they haven't actually done anything which is contrary to USPAP.

# IMPORTANT NOTICE

## – PLEASE READ

### CHANGES IN APPRAISER EDUCATION REQUIREMENTS

**EFFECTIVE JANUARY 1, 2008**

Appraisers considering upgrades to their credentials and persons considering a first application need to plan ahead for significant changes in education requirements that will be effective January 1, 2008.

#### Segmented Implementation

Persons completing the entire education requirement for their desired level prior to January 1, 2008 will be credited under the pre-2008 requirements.

Persons not completing the entire education requirement for their desired level before January 1, 2008 will need to meet all the new education requirements.

Education must be completed before submitting an application for a new credential or upgrade.

#### New Requirements

- **Increased hours of education:**  
Licensed: From 90 to 150 hours  
Certified Residential: From 120 to 200 hours  
Certified General: From 180 to 300 hours
- **New college level courses or degrees from an accredited college or university:**  
Licensed: None  
Certified Residential: New: Associate degree, or 21 semester credit hours in specific content areas\*  
Certified General: New: Bachelors' degree, or 30 semester credit hours in specific content areas\*
- **New core curriculum for each appraiser level**

Course Content	Licensed Residential Hours	Certified Residential Hours	Certified General Hours
Basic Appraisal Principles	30	30	30
Basic Appraisal Procedures	30	30	30
15 Hour National USPAP	15	15	15

Course Content	Licensed Residential Hours	Certified Residential Hours	Certified General Hours
Residential Market Analysis & Highest and Best Use	15	15	
Residential Site Valuation and Cost Approach	15	15	
Residential Sales Comparison and Income Approaches	30	30	
Residential Report Writing and Case Studies	15	15	
Statistics, Modeling and Finance		15	15
Advanced Residential Applications and Case Studies		15	
General Appraiser Market Analysis & Highest and Best Use			30
General Appraiser Sales Comparison Approach			30
General Appraiser Site Valuation and Cost Approach			30
General Appraiser Income Approach			60
General Appraiser Report Writing and Case Studies			30
Appraisal Subject Matter Electives		20	30
<b>TOTALS</b>	<b>150</b>	<b>200</b>	<b>300</b>

## Examples:

A – An applicant for licensed appraiser has completed 90 hours of education before January 1, 2008. The education would be accepted if it meets pre-2008 standards.

B – An applicant for an upgrade to certified residential appraiser has not completed 120 hours by January 1, 2008. This applicant must now meet the 200 hour total and also the total content must meet the core curriculum requirements for certified residential. The person must also show proof of an associate degree or 21 required semester credit hours\*. The appraisal hours already taken must be evaluated by the course provider to show what parts of the core curriculum have been covered by each course taken. Proofs of education submitted with the application after January 1, 2008 must include this documentation to show that all the core curriculum has been covered by the 200 hours.

## \*Degree Equivalents

**Associate degree:** In lieu of a required associate degree, 21 semester credit hours from an accredited college or university covering the following subjects: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers—Word Processing/Spreadsheets; and Business or Real Estate Law.

**Bachelors degree:** In lieu of a required bachelor's degree, 30 semester credit hours from an accredited college or university covering the following subjects: English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers—Word Processing/Spreadsheets; Business or Real Estate Law; and two elective courses in accounting, geography, ag-economics, business management, or real estate.

If the accredited college or university accepts the College Level Examination Program® (CLEP) examinations and issues a transcript showing its approval, credit will be given for

testing out of one or more college course requirements above.

## Additional Information

These changes are required as a part of the Appraisal Qualifications Board Criteria. For additional information you may visit the Appraisal Foundation website, which can be found at:

<http://www.appraisalfoundation.org>

## 2006 Real Estate Appraisers Board Meeting Schedule

Wednesday March 1, 2006

Wednesday May 10, 2006

Wednesday July 12, 2006

Wednesday October 18, 2006

All Board meetings are held at the Department of Regulation & Licensing, 1400 East Washington Ave, Madison, WI and begin at 9:00am. Dates and times are subject to change.

## 2006 Real Estate Appraisers Education & Experience Advisory Committee Meeting Schedule

Wednesday March 1, 2006

Tuesday May 9, 2006

Tuesday July 11, 2006

Tuesday October 17, 2006

All Committee meetings are held at the Department of Regulation & Licensing, 1400 East Washington Ave, Madison, WI and begin at 1:00pm. Dates and times are subject to change.

## 2006 Real Estate Appraisers Application Advisory Committee Meeting Schedule

Wednesday February 1, 2006

Tuesday March 28, 2006

Wednesday April 26, 2006

Tuesday June 6, 2006

Thursday July 27, 2006

Tuesday September 12, 2006

Thursday October 12, 2006

Wednesday December 6, 2006

All Committee meetings are held at the Department of Regulation & Licensing, 1400

East Washington Ave, Madison, WI and begin at 10:00am. Dates and times are subject to change.

## HOW TO OBTAIN A CODE BOOK

Code books for each profession can be obtained online through the Department's Website. Code books are available on compact disk or in paper format for a fee. For a full listing, please visit the department's Website at [drl.wi.gov](http://drl.wi.gov), select "[Code Books and Statutes](#)" and then "[Purchase Code Book](#)." The site contains printable order forms as well as complete instructions for ordering.

## TELEPHONE DIRECTORY - QUICK KEYS

To contact the Department, just dial (608) 266-2112, and then enter the Quick Key numbers below for the assistance you need:

To request an application packet:	press 1-1-3
To check the status of a pending application:	press 1 - 2
To discuss application questions:	press 1 - 3
To discuss temporary license questions:	press 1 - 3
To renew or reinstate a permanent license:	press 1 - 4
To renew or reinstate a permanent license:	press 2 - 1
To renew a temporary license:	press 2 - 2
To obtain proof of licensure to another state:	press 3 - 1
To find out if a person is licensed:	press 3 - 2
To file a complaint on a license holder:	press 8
To check the status of complaints:	press 8
For all other licensing questions:	press 1 - 3

## VERIFICATIONS

Verifications are now available online at [www.drl.wi.gov](http://www.drl.wi.gov). On the Department Web site, please click on "License Lookup". If you do not use the online system, all requests for verification of licenses/credentials must be submitted in writing. There is no charge for this service. Requests should be sent to the Department address or may be faxed to (608) 261-7083 - ATTENTION: VERIFICATIONS. Requests for endorsements to other states must be made in writing – please include \$10 payable to the Department.

## DID YOU KNOW THAT YOU CAN ACCESS MOST INFORMATION ON THE DEPARTMENT OF REGULATION & LICENSING WEB SITE?

Visit the Department's Web site at:

[drl.wi.gov](http://drl.wi.gov)

Send comments to: [web@drl.state.wi.us](mailto:web@drl.state.wi.us)

## CHANGE OF NAME OR ADDRESS?

Please send changes to the Department. Confirmation of changes is not automatically provided. **WIS. STATS. S. 440.11 ALLOWS FOR A \$50 PENALTY TO BE IMPOSED WHEN CHANGES ARE NOT REPORTED WITHIN 30 DAYS.**

## DISCIPLINARY ACTIONS

Disciplinary summaries are taken from orders that can be reviewed on the Dept. of Regulation and Licensing Web site at <http://drl.wi.gov/index.htm>. Select "Discipline/Orders" under Reports of Decisions to view the order, you can either search by name, or use "Reports for the Current Year" or "Prior Years" to access an order. Please note that orders are subject to court review, and discipline may be stayed pending an appeal. The progress of cases in court may be reviewed at [www.courts.state.wi.us](http://www.courts.state.wi.us). Current license status may be verified under "Lookup License Info" on the Department's Website.